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The MANAGEMENT REVIEW

MARCH, 1935

Can We Spend Our Way Out?

By LEONARD P. AYRES

Vice-President, The Cleveland Trust Company

IT NOW seems wholly probable that the national administration has decided on government expenditure as the chief policy of its recovery program in 1935. Probably housing projects, the elimination of railroad grade crossings, the extension of electric power lines in rural districts, and the construction of highways and public works will constitute the chief features of the program. In addition it seems not unlikely that the administration will reach a compromise with the veterans by which some portion of their bonus claims will be paid during the year.

Whatever the detailed decisions may prove to be, it does seem likely that a determined attempt will be made to stimulate business activity, and particularly the durable goods and construction industries, by the expenditure of large sums of federal money. The object will be to make work on a large scale for two related purposes. One will be to get a sufficiently large volume of business activity under way so that its very momentum will induce a continuing recovery of privately financed production. The other will be to furnish such a large number of real jobs for workers as greatly to diminish the numbers requiring direct relief through public funds.

Aside from almost universal interest in the problems of direct relief, the chief concern which we all share with respect to the policy of federal expenditures as a feature of the recovery program is centered on the question as to whether or not we can get out of the depression by spending public money. This is a matter that has never been convincingly settled by experiment and experience. In popular discussions those who argue that we can induce recovery by the use of public appropriations usually point out that wars

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

involve heavy expenditures, and are almost always periods of great industrial and trade activity, general employment, and large profits.

The opponents of these views usually take refuge in general statements based on our common experience as individuals. They point out that it is not sensible to think that we can spend ourselves rich, and that it is foolish to believe that we can squander our way to prosperity. They also remind the proponents of spending that war prosperities are always of limited duration, and invariably followed by sharp depression shortly after the return of peace. The arguments on both sides tend to be unsatisfactory and inconclusive.

Lessons of Experience

In earlier depressions the governments of European nations have repeatedly attempted to accelerate recovery by means of extensive projects of public works. In the main their experience has been that such projects could be initiated only slowly, that they afforded moderately effective but very expensive means for relieving unemployment, and finally that their relationship to ultimate recovery remained undetermined. In this depression the most noteworthy national efforts to induce recovery by means of public expenditures have probably been those of Italy, England, and this country.

In Italy the most important undertakings have been directed at the reclaiming of extensive marsh lands for agricultural uses, and the construction of new highways, water supplies, and towns in these districts. The expense has been heavy, and the work has been helpful in relieving unemployment, but we have as yet no clear evidence as to the effectiveness of the efforts as major factors in the recovery program. The English experiment was a definitely unsuccessful one. There the labor government which was in power from 1929 to 1931 endeavored to finance a recovery and reform program by the generous use of public funds. The result was to unbalance the budget so seriously as to induce something of a panic, force the abandonment of the gold standard, and overturn the government.

Our own experiments have been by far the most extensive. They began in the Hoover administration, and have continued under the New Deal. In 1931 we paid out nearly a billion dollars of bonus money to the veterans, and followed it by immensely expensive efforts to support agricultural prices. We also began a great program of public works which is still under way. Through the RFC we spent huge sums to bolster the finances of banks, railroads, and other corporations. More recently we have used public funds on a large scale to pay bonuses to the farmers, to refinance rural and urban mortgages, to finance construction projects, and for direct relief. The cost so far has been nearly 13 billion dollars, or almost as much as our military expenditures in the World War.

Priming the Business Pump

Despite the enormous totals of our emergency expenditures during the past four years, it is clear that we have not yet found the answer to the simple economic question as to whether or not it is possible to induce a recovery from depression by spending public funds. It seems highly probable that we shall know the answer at some time in the future, for we are making more numerous and varied experiments in this effort, and on a far greater scale, than any other nation has ever attempted.

The theory on which such an effort is based is popularly referred to as that of priming the business pump. Anyone who has lived in the country will understand the general idea. When the pump will not work because the water in the upper part has leaked down past the piston valve, the way to start it again is to pour in some water from above while vigorously working the handle, and presently a flow of water will be drawn up from the well below, and the pump is in working order again. The economic argument runs that in similar fashion the business mechanism may be restored to normal activity by passing out public funds to workers in different parts of the country.

These workers will promptly spend the money for goods, whereupon the merchants will order more goods to replenish their stocks. Then the manufacturers will increase production to meet the new demands, and in the process will pay out increased amounts of wages, which these workers will promptly spend for more goods, still further increasing the demand until normal production, distribution, and profit making will eventually be restored. The simile is a good one, and the argument persuasive, but so far we have no convincing evidence that the process has ever been successfully carried through except by the use of the huge and concentrated expenditures of wars.

Three Kinds of Spending

Our own national experience during this depression has amply demonstrated that the task of reviving business activity by the expenditure of federal funds is not an easy one, for if it were we should have already succeeded in doing it. The fact that we have not so far succeeded is clearly revealed by our unemployment statistics which show that there are about as many idle workers now as there were a year ago. As we try to analyze the situation to find out why this should be so, our thinking will be aided and kept clearer if we keep in mind the fact that our federal emergency expenditures fall in the main into three great classes.

The first of these has consisted of payments to individuals. These include the billion dollars of bonus money already paid to the veterans, the sums disbursed as bonus payments to the farmers, the huge direct relief

expenditures for the unemployed, and the amounts spent to pay and support the young men in the Civilian Conservation camps. These payments have relieved much distress, and in some large measure they have been unavoidable, but it is doubtful if they have had much influence toward inducing a lasting business recovery, or if they can render much help toward that end even if enlarged and continued.

The reason for this disappointing conclusion is that such sums paid out to individuals must for the most part be spent for consumers goods. These are the things that individuals buy at retail for immediate use. They largely consist of food and clothing, but they include also such articles as soap, gasoline, tires, and tobacco. In the main they are used up and replaced relatively quickly. As a nation we use almost as much of them in hard times as when we are prosperous, but when we have more spending money we buy those of better quality, and when we feel poor we buy those of cheaper grades. Giving large numbers of people more money to spend for consumers goods does not greatly relieve unemployment because there is not now, and has not been during the whole depression, any great volume of idleness among the makers of consumers goods. Relief payments to individuals do not prime the business pump, although they do help retail trade.

The second of the three great classes of federal emergency payments consists of sums lent by the government to bolster up weakened financial situations. They include the loans of the RFC to railroads, banks, insurance companies and other corporations. They also consist in large part of the billions advanced to individuals for the refinancing of many thousands of mortgages on rural properties and on town and city homes. These expenditures have been made to avoid further breakdowns in our economic structure. Their effect has been rather to keep conditions from getting worse, than definitely to make them get better. They are safeguards rather than stimulants. However much good they may have accomplished, they do not constitute strong active forces for business expansion. They are chiefly effective to give debtors extensions of time in which to pay what they owe.

The last of the three great classes of federal emergency payments consists of direct expenditures for public works, and of loans to municipal and private corporations for new construction, and the purchase of equipment. Here we have the most promising sort of federal spending as an effort to prime the business pump and induce recovery. The goods produced by these payments are durable goods, and it is in the construction and durable goods industries that the most serious unemployment exists. Here the goods financed by the payments consist of such things as highways, buildings, bridges, freight cars, locomotives, the new diesel-powered trains, electric transmission lines, and industrial equipment.

Priming the Wrong Pump

When we consider the nature of our three great classes of federal emergency expenditures it becomes fairly apparent why the payments to individuals, and the loans in support of threatened financial situations have not operated as strong and effective stimulants to create business recovery. It is not so easily apparent why the expenditures for labor and materials used in producing new structures and equipment have not been more evidently successful. And yet the records both here and abroad, in former depressions and in this one, afford little evidence that a nation can successfully administer a managed recovery from depression by means of financing with treasury funds large projects of public works. The lack of success appears to maintain even when such projects are supplemented by loans to finance similar activities by corporations. The reasons why this should be so call for careful analysis.

The question at issue is whether or not governmental spending used in the main for public works during a depression can bring about a business revival. Now the first condition in the problem is that a depression exists. That means that there has developed so serious a maladjustment between the costs of producing goods and the prices that purchasers are willing to pay for them, that demand has fallen to low levels, and so production has greatly decreased. The result is unemployment. The question that we are asking in the problem before us is in reality whether or not public expenditures can avail to cure the maladjustments that exist in depressions between the costs of production and the prices the public is willing to pay.

It seems evident that in the main the answer must be in the negative. The reason why this is so is shown by existing conditions in the field of building. At present almost no one would undertake to construct new homes or apartment houses for sale or rent, because costs of building are high and rents are low. Consequently the new structures could not compete with the existing ones, and the investment in them would prove a losing venture. The depression maladjustments between cost of production, and the price the public is willing to pay, still exist. They would not be cured if the government should step in and construct new houses and apartments at prevailing wage and material costs. On the contrary when the governmental spending came to an end the maladjustments would probably be worse than before, because of the high costs that commonly characterize government work.

Many other similar examples might be cited, and they would all lead eventually to one fundamental distinction between public and private enterprise which is the controlling factor in the whole problem. It is that public enterprise tends to be self-terminating, while private business tends to be self-perpetuating. Private business makes things to sell at a profit. As

soon as it has succeeded in doing so it uses its profits to help produce still more goods to sell profitably. The whole process tends to perpetuate itself.

The governmental undertaking on the contrary tends to terminate itself. Ordinarily it does not produce anything to be sold at a profit, and so it only lasts as long as the appropriation holds out. When it stops the workers are without employment, and the demand for materials is ended. The reason why most public works expenditures do not effectively prime the business pump is they do not produce things that are sold at a profit, and so do not cause the financing of a continuing flow of production.

The distinction is of fundamental importance. In reality there are two pumps, instead of one, and we have been using government funds to prime the wrong pump. One is the business pump, and the other the public works pump. From an economic point of view we should call the first the capitalistic pump, and the second the socialistic pump, but probably it will be better to think of the one as the private profit pump, and of the other as the public non-profit pump.

We have been pouring public funds into the public pump in order to get the private pump primed and operating. So far we have had little success, and the prospect that we shall have more in the future by continuing the process on a still more generous scale does not seem bright. At present we have government and business eyeing each other intently, and each waiting for the other to make the decisive move. It is as though government were saying that it would pull out when business steps in, while business is saying that it will step in when government pulls out.

The Opportunity

Meanwhile we have as a nation a brilliant opportunity to secure a natural recovery, if we were willing to give up trying to achieve a managed recovery for business. The opportunity consists in the immense shortages in construction and durable goods that have accumulated during the depression. In the past five years business has been getting along with a minimum of additions, betterments, and replacements to its equipment. In the main it has been getting along as best it could with what it had before the depression, and many families and individuals have followed the same course with respect to such durable goods as houses, household equipment, automobiles, and so forth.

The statistical total of such accumulated shortages amounts to something between 85 and 100 billion dollars worth. They do not all have to be made up, but a considerable part must be if as a nation we are to return to our former standards of living. If all the shortages had to be made up the durable goods and construction industries would have to operate at 25 per

cent above their normal levels of activity for 10 years in order to supply them.

The present situation in our national economy is that we have huge shortages of goods that we need and want, millions of unemployed eager for work, and billions of idle capital seeking investment. Always before such a combination has promptly produced renewed prosperity. What we most need now is not greater public appropriations to build and make things, but a removal of the obstacles which now hold business back from taking advantage of the opportunity that is here.

These obstacles are not easy to remove, for they are artificial and political, rather than natural and economic. The most important ones are three in number. The first consists of nearly 5,000 new regulations controlling the conduct of business operations that are contained in the new codes. The second is continuing fear about the future of our money which is mainly based on the ever mounting budget deficits caused by our huge governmental expenditures. The third consists of the new regulations controlling the issuing of the securities by which the operations of heavy industry are financed. If we should remove these obstacles we should not have to worry about the possibility of spending our way out of the depression with public funds, for we should then rapidly finance the recovery with private profit-making funds.

Current Comment

MAJORITY RULE UNDER 7A

MAJORITY rule is the most practical interpretation for the conduct of collective bargaining under Section 7a. The difference in the results obtained through negotiating separately with several groups within one plant rarely compensates for the internecine warfare incident to the struggle for dominance on the part of the various plant factions.

A most interesting commentary on majority rule under Section 7a can be developed by the simple process of observing the origin and nature of the antagonism to this ruling. Whoever is interested in the success of the particular group that is momentarily in the majority within a plant is quite prone to give ardent support to the National Labor Relations Board. This has been true of the A. F. of L., of company unions, and of management.

Those who feel that their own interests or the interests of their employers or constituents are, for the moment, better served by something other than the majority rule are apt to become a bit heated in their championship of the sacred rights of the minority. The practical application of majority rule does not forbid a plant superintendent from discussing any labor problem with any single employee or any representative of any group of employees. Majority rule does, however, go a long way toward safeguarding a management from being too badly whipsawed by opposing factions, each trying to demonstrate to the employee group as a whole that it is a more effective bargainer than its rivals.

Without majority rule it still is not practical to make dissimilar working arrangements for similar work. In fact, the general apathy of most people anywhere toward all but intolerable conditions makes a discussion of the supposed wishes of the majority and the minority an actual discussion of the comparative strength of the first and second string leaders within the group.

Employee organization within industrial plants is still very much in the formative stage. Violent opinions to the contrary, no man knows what our labor picture will be five years from now. There must be many experiments and many failures in both internal and external union organizations, and it is highly improbable that any one plan will fit all plants, even within a single industry.

To this end, I say that it behooves Management to determine as quickly as possible the actual wishes of the majority of employees, and then to devote a great deal of honest and patient effort to the task of assisting the majority in the development of sound and effective organization.

BRYAN HOUSTON.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Economic Balance—For Recovery

Depression is a condition of unemployment caused by the destruction of the essential balance between the prices of individual commodities or services, and the general price level; between available supply and current demand; between national income and debt and taxation. The volume of demand for consumption goods fluctuates very little in proportion to the demand for durable goods because durable goods may be used almost indefinitely. More than half of all existing unemployment lies in the durable goods industries, in construction and building materials industries. Recovery through reemployment will be possible only as reemployment is effected in the durable goods industries.

Since we have progressed far more rapidly in the physical sciences and mechanical arts—in the managing of things—than in the arts of government and the management of people, we must be careful not to destroy our social order in an effort to arrive at a better scheme of social security. By George H. Huston. *Economic Forum*, Winter, 1935, p. 393:17.

Government Ownership of Railroads

Pointing out that the question of government ownership of the railroads is no longer a subject of abstract academic discussion but a pressing, practical problem of direct importance to millions of people in America, Dr. Jordan says, "Our railroads today form about a tenth of our total national productive capital or wealth. They are about equal in value to all the

farm land in the country, are worth almost two-thirds as much as all the mineral, oil, and gas deposits, more than twice as much as our forests, and almost as much as all the machinery and equipment of our factories. Not only because of their value but more especially because of their basic economic importance, it is obvious that the nationalization of the railroads would cut so deeply into the organism of private enterprise that that organism would probably not long survive the operation in economic surgery it would involve." By Virgil Jordan. *An Address before a Joint Meeting of The Traffic Club of New York and The New York Board of Trade, Inc.*, 1934. 29 pages.

Motor Vehicle Taxation in New Jersey With Special Reference to Equity of Present Taxes on Heavy Vehicles

The purpose of this study is to investigate the adequacy and appropriateness of registration fees and gasoline taxes charged heavy vehicles in New Jersey and to make recommendations in the direction of greater equity if such seem to be called for.

The report involves consideration of three successive questions: 1. Do the motor vehicles as a whole pay as much as they should? 2. Is any particular group of motor vehicles underpaying and thus imposing a burden on other groups or on the public? 3. If such is the case, what amount should be paid by the groups of vehicles now favored?

Briefly, the answers to these questions are as follows:

Motor vehicles as a whole are now paying about \$32,000,000 yearly. This report indicates that they might properly pay at least \$50,000,000 yearly toward determined proportions of total expenditure on major and minor rural roads and city streets.

It appears that private passenger cars and vehicles of corresponding weight are paying adequate shares of these costs. The private automobile is sufficiently taxed now. The shortage of \$18,000,000 in annual equitable contribution from motor vehicles should be made up from additional taxes and fees levied against those intrastate and interstate vehicles which weigh more than 7,000 pounds.

No increase in taxes or fees is proposed, therefore, for any passenger vehicles, motorcycles or taxicabs. No increase is proposed for any farm truck weighing 7,000 pounds or under. Increases are contemplated for about 5 per cent of vehicles now registered in the state, including about 30 per cent of so-called "commercial" vehicles. By William D. Ennis with the cooperation of Arthur Richards, S. A. Stephenson and others. *New Jersey Taxpayers Association at the request of Associated Railroads of New Jersey*, January, 1935. 199 pages.

Fellowship between Federal and State Commissions

With a proposed holding company bill before Congress and the prospect of other Federal legislation relating to other public utilities being enacted, the author, attorney, Connecticut Public Utilities Commission, stresses the need of coordination of national

and local agencies in order to secure the most effective regulation of public utilities. By John L. Collins. *Public Utilities Fortnightly*. February 28, 1935, p. 243:6.

Will To-day's Developments Kill "Human Appeal" in Business?

"Human Appeal" is the greatest asset an executive can possess, says the chairman, W. T. Grant Company. Here he points out how the cultivation of this quality is in danger of being stifled through the government's activities in regulating trade and industry. By W. T. Grant. *System and Business Management*, February, 1935, p. 59:5.

The Federal Trade Commission and So-Called Utility "Write-Ups"

After an eight-year examination of public utility companies, the Federal Trade Commission, in a series of final reports, is reporting to Congress. In a release issued shortly after Congress convened, the commission dealt with and referred to so-called "write-ups." In this article the vice president and managing director, Edison Electric Institute, says that the commission's statements are confused, misleading and inaccurate; that they rest on definitions which constitute a picayune measurement of reasonableness of transactions during the greatest period of America's industrial development and that facts are subordinated to political expediency. By Bernard F. Weadock. *Edison Electric Institute Bulletin*, February, 1935, p. 33:4.

FINANCIAL MANAGEMENT

The Federal Debt and the Banks

Approximately one-half of the interest-bearing debt of the Federal Government is held by the banks. Total holdings by banks amounted to almost \$13 billion on June 30, 1934, and have increased since that date.

In the four-year period ended June 30, 1934, bank holdings of federal obligations increased \$8,445 million while total interest-

bearing debt showed an increase of \$10,962 million. Roughly three-fourths of the additions to debt were absorbed by the banking system.

Federal securities are a major item in the investment portfolios of national banks, state banks and loan and trust companies. In recent months federal securities held by the Federal Reserve Banks have amounted to more than \$2.4 billion, or

about 99 per cent of all bills and securities.

The present level of prices for federal securities is dependent on unusual conditions, which are largely temporary in character. Low interest rates, the large amounts of banking funds seeking profitable employment, and the \$2 billion stabilization fund available to support prices are important elements in the market. As long as deficit financing is required, the market for federal issues will be supported by every means at the disposal of the Government, if a strong downward tendency in prices occurs.

The large additions to bank holdings of federal securities in the past four years have produced an undesirable situation. The form of obligations issued has been determined largely by the preference of the banks for intermediate and short-term paper, rather than bonds. The proper policy of using short-term Treasury paper to obtain funds in anticipation of revenue has not been observed. The objective of creating a debt structure that would be readily manageable under any conditions has been subordinated to expediency. *National Industrial Conference Board*, February 13, 1935. 9 pages.

Three Million Utility Investors Are Interested

A discussion of the power issue as it affects three million utility investors. The author finds the issue between government and private ownership of utilities squarely joined and believes that the time has come for a showdown based on facts. By Herbert Corey. *Public Utilities Fortnightly*, February 28, 1935, p. 232:10.

Monetary Policy and Prices

In this article the president of Remington Rand Inc., and chairman of the Committee for the Nation, outlines the policies and principles of this now famous Committee and explains how and why it was created. "It is perfectly natural for men to challenge thinking which violates their traditions," says Mr. Rand. "I do not

criticize bankers for questioning the advisability of monetary change. I questioned it myself for a long time. What I do criticize, what I hope will disappear, is the closed-mindedness which will not examine facts." Mr. Rand denies that the Committee for the Nation advocates inflation. Its aim, he says, is to restore normal income and purchasing power to depressed economic groups. By James H. Rand, Jr. *The Bankers Magazine*, February, 1935, p. 207:8.

Economic Security and Business Stability

A proposal to keep unemployment insurance funds from being used to intensify booms or depressions is made by David Cushman Coyle in this article. His solution is simply to "sterilize" the funds.

Attached to this proposal is a second one which is that corporation surplus funds be kept out of the money market by the same method. "Depression dividends, paid out of surplus," Mr. Coyle states, "help to stabilize business and employment; but the handling of the funds helps to un-stabilize business . . . The money saved up for a rainy day was used to promote rain. A proper handling of these funds would consist of holding them in cash until the depositors were out of work and needed the money. Then the withdrawal and spending of the idle money would stimulate business and help to restore the worker's jobs.

"Unemployment insurance may be managed on any scale and by anybody, provided the law requires that all funds collected must be placed in a sock. Similarly, the volume of corporate undivided surplus is comparatively unimportant and may be left to the discretion of the corporations. All that is necessary is that all undivided surplus be placed in a sock. The official sock might be guarded by the Treasury provided the Treasury be given no discretion to use the funds for any purpose whatever. If there is danger that the Treasury might sometime wish to exercise discretion in the disposal of these funds,

then it would be better to hide the sock in the Comptroller's office and have Mr. McCarl sit on it.

"In practice," Mr. Coyle states, "all recoveries require inflation of some kind, either in Washington or in Wall Street . . . The typical old-fashioned recovery involved a Wall Street inflation, especially in the Stock Market. . . This kind of inflation, where the Government keeps hands off and Wall Street rolls its own, is entitled 'sound money' because the gentlemen who make our definitions get a profit out of it. No way has been found to control a sound money inflation once it gets well under way. We may find, however, that the securities acts are able to prevent a bull market from starting. If so, no doubt the speculators will transfer their activities to land or grains or tulip bulbs or something to which imaginary dollar values can be attributed. We shall probably need to pursue the sound money gentry from one racket to another, as we are now pursuing the ex-bootleggers turned kidnappers. In the long run, however, the answer will be to levy such heavy income taxes that financial activities will lose their charm." By David C. Coyle. *Scribner's*, March, 1935, p. 129:7.

The Investor's Sword Is Sharpened

Without delving too deeply into the legal technicalities of the Securities Exchange Act, which became law on July 6, 1934, the author finds that an attempt has been made

to ban or limit all manipulative operations; to prohibit "wash sales" or "matched orders"; to bring under civil liability those who make false or misleading statements about securities they offer; to void any contract as to the person who violates the rules of the Act; to require brokers, who are also dealers, to give notice to that effect to their clients prior to the execution of orders; to prevent corporate insiders from using inside information for their personal speculations.

Suits under the Securities Exchange Act must be brought in the Federal Courts. By Charles H. Meyer. *Economic Forum*, Winter, 1935, p. 437:12.

Clearing Off International Commercial Debts

When most countries, because of the depression, stopped the export of their national currencies, France decided to establish a clearing house—somewhat as Switzerland and Italy had already done—in an effort to realize on its international commercial debts. Only debts of a purely commercial character were handled, and by trading amounts due French exporters against amounts due foreign importers a slow but satisfactory system was established, providing for progressive amortization of old accounts by means of a levy on the cash received as importation proceeds. By Pierre Jolly. *Harvard Business Review*, January, 1935, p. 186:7.

Insurance*

Job Insurance—Its Limitations and Values

Unemployment insurance has definite values but also, like all other man-made institutions, distinct limitations. It will not solve the problem of business cycles; it is not a cure for depressions, nor will it make relief unnecessary. It benefits wage-earners and salaried employees, while it

does not apply to twenty per cent of our gainful workers who are farmers, merchants, professional men and other self-employed persons. Again, since all savings necessarily represent a decrease in current consumption, an accumulation of unemployment reserves, it can be argued, will eventually have deflationary effects.

On the other hand, unemployment insur-

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

ance, if rightly developed, may actually mean reduced costs to the employer in the long run. It can steady regularly employed industrial workers who are unemployed because of seasonal lay-offs. It may be of service in the early stages of a depression, maintaining stability and sustaining purchasing power. By Edwin E. Witte, *Economic Forum*, Winter, 1935, p. 411:14.

Report of Virginia Advisory Commission on Unemployment Insurance

The Virginia commission on unemployment insurance has reported favorably on the enactment of such a law in that state. The commission presented a tentative bill calling for contributions by the employers alone, with the fund formed by the employers' contributions to be administered by the state department of labor and industry. The commission estimated that the burden on industry of such a system would amount to less than one-half of 1 per cent of the value of the products of the industries covered and to less than 1 per cent of the value added by manufacture. *Monthly Labor Review*, January, 1935, p. 44:2.

Fidelity Bonds

A comprehensive description of various types of bonds, their development, and what they accomplish, is given. Formerly, the employer selected an individual bond for employees in responsible positions who had custody of valuables. Later he utilized a scheduled bond; in most respects, these two types of coverage were the same. The scheduled bond was then broadened to furnish automatic protection for a given period. Under these forms if an employee took more than the amount for which he was bonded, the difference was the employer's loss. The employer had to guess how much would be taken, and by whom.

The commercial blanket bonds were devised to overcome these objections, and are divided into four classes: the position blanket, primary commercial blanket, excess commercial blanket and railroad blanket bonds. The position form covers each employee in the same position for the full

amount of the bond, and it is not necessary for the employer to prove definitely which employee was dishonest. The primary commercial blanket bond covers all employees for a given amount and in case of loss, the coverage is automatically reinstated.

As implied by its title the excess bond covers losses in excess of those amounts specified in the primary bond. The railroad blanket bond was devised specifically for railroads, and the chief difference between that and the commercial blanket bond is the coverage of culpable negligence which, according to the terms of the contract, means only gross carelessness in the performance or omission of duties or the deliberate assumption of risk by an employee in violation of printed or written instructions. By C. E. Baumann. *The Weekly Underwriter*, January 26, p. 202:3.

Mileage Basis for Automobile Premiums

Brief reference is made to adaptation of premiums to economic conditions by French automobile insurers. A special policy is being offered, with premiums on a mileage basis, the policyholder subscribing to a minimum, with rates varying according to the mileage operated. The insurance has cost, on a popular make of car, 1,919 francs a year for about \$33,000 protection. A new mileage policy sells for 822 francs for limited mileage and 280 francs for each additional 2,500 kilometers of mileage; therefore, those who operate less than 8,000 miles a year will benefit by these new rates. *Journal of American Insurance*, December, 1934, p. 28:1.

Unemployment Insurance—Perhaps

Mr. McCormick prefaces his remarks by saying that he does not approve of unemployment insurance in any form, but does approve heartily of retirement insurance although objecting strenuously to the term of old age insurance.

He estimates that there are approximately thirteen million people over sixty years of age in the United States, a fairly high percentage of whom he figures are employed. Assuming that four million persons over sixty are employed, Mr. Mc-

Cormick proposes that they be retired at half pay; the half pay saved being applied toward necessary promotions and toward employment of those who would be employed to fill vacancies in the lower brackets. If, at the same time, compulsory retirement insurance were enforced, the temporary burden, imposed upon industry and individuals to pay those who retired, would gradually be lessened as retirement pay accumulated in favor of those who, in future, would be retired when they reach

age sixty. By Olin Foss McCormick. *The Personnel Journal*, February, 1935, p. 284:5.

Retirement Plan for Employees

This booklet gives a summary of the Group Pension Plan of the Liquid Carbonic Corporation effective October 1, 1934. Also contained in it are questions and answers on the Pension Plan for the information of employees. *The Liquid Carbonic Corporation*. 16 pages.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

The Employment of Women in Offices

Because of the huge number of women in clerical work and requests for information dealing with their employment the women's bureau of the United States Department of Labor made this survey of women office workers in seven cities during 1931 and the first three months of 1932. The cities covered were New York, Hartford, Philadelphia, Atlanta, Chicago, Des Moines, and St. Louis. By Ethel Erickson. *United States Department of Labor, Bulletin of the Women's Bureau, No. 120*. 1934. 126 pages.

Measuring Executive Ability

Those concerned with locating potential executive material are reminded that "executive ability" is not a simple, single ability. The successful executive is better than average in a wide range of abilities and personality traits. By Charles W. Mason and Glen U. Cleeton. *The Personnel Journal*, February, 1935, p. 277:3.

Lower Office Costs Through Time Study and Bonus Plan

In this article is described how a large company accomplished lower office costs and greater accuracy through a combination time study and bonus plan. This plan measures clerical work, determines the

most efficient methods of doing every type of office work, eliminates errors, keeps the work on an even level, and at the same time pays the employees in proportion for work performed.

The experience of the company using the described plan reveals that a saving of 40 per cent has been made in office costs. By William Tracy. *The Office Economist*, January-February, 1935, p. 5:3.

Business Letters: Workers or Wasters?

The author divides business letters into two general classes: those of men who have profited but little from their academic training, and whose grammar and syntax often are faulty; and those who have, and who love to display, richer vocabularies and a better grasp of English. It is the latter who employ the ponderous phrases which mean exactly nothing to the reader, but which waste his time, as they wasted the time of the dictator and of his transcriber.

The Supervisor of Correspondence is a newcomer in the personnels of large organizations and although his work is still in embryo form its possibilities are tremendous. Since what is needed is someone who can teach others how to write to the point, the style of a first-class newspaper writer would be an asset to the correspondence supervisor.

The big job of such a supervisor is that

of eliminating the tremendous waste—waste that costs not mere hundreds of thousands, but millions of dollars annually—represented by the time squandered in statements of the obvious: of that which is clearly implied; of that which easily

can be deduced. Eliminate these, and you eliminate probably two-thirds of the time—and therefore of the money—wasted in the average so-called business letter." By Edwin H. Wood. *The Office Economist*, January-February, 1935, p. 3:3.

Space: Location, Equipment, Arrangement

Good Office Equipment Earns \$1000 per Year for Oldest Insurance Firm in Texas

Every piece of furniture and equipment in the Millers Mutual Fire Insurance Company, Fort Worth, is metal. "Pens and pencils excepted, there isn't enough wood in the Millers Mutual headquarters to fire a stove in a doll's house." By the simple procedure of wiping it off or washing it, when necessary, this 13-year old equipment has been kept looking as though it were new.

Since wood furniture would cost about the same for the original outlay (\$10,000) and the depreciation on wood is about 10 per cent a year and there is practically no depreciation of this metal furniture, the firm considers that it makes about \$1,000 a year on its investment.

Says the assistant treasurer of the company, "One of the best investments we ever made." By Jim Thompson. *The Office Economist*, January-February, 1935, p. 8:2.

Records: Forms, Charts, Cards, Files, Statistics

A Record Keeping Method That Shows Daily Sales Results

A visible card record system for sales control is used by the Rush-Lehigh Oil Company. The sales records are based on two sets of cards—one to show the daily sales for a period of one month, another covering sales by months for a period of four years. When an account is first opened a card is made out showing the approximate annual sales, as well as data regarding the equipment used and the financial standing of the customer. In this way it is easy to determine the customer's total purchases made from the company. By W. Wieand. *System and Business Management*, February, 1935, p. 78:3.

More Profits Through Order Analysis

Three of the most commonly-used methods for analyzing sales are described in this article. The first is by means of punched cards and the use of tabulating machines, the second is by means of order registers

which operate like a cash register and the third is by means of a peg board and a calculating machine. This last is the most simple method of cost analysis and is widely used in businesses of medium size. There are three illustrations of these methods accompanying the article. *American Business*, February, 1935, p. 33:5.

Keeping Credit Data at Your Finger-tips

The credit man, because he must constantly make decisions affecting the sales of his company, must have a system that will give him the facts and statistics on which to base his judgment, quickly and accurately. Here is described with illustration a simple card system for keeping credit information that is practical and concise, applying as well to the large company as to the small one.

The visible card index used in this system, it is pointed out, fulfills all requirements. It is simple and compact and is

designed for rapid reference. Because of its simplicity, the details of the system can be carried out by any girl of average intelligence and yet furnish complete information concerning every customer. By Waldo Hutchinson. *The Office Economist*, January-February, 1935, p. 10:2.

12 Office Tips That Saved Dollars

Some of the tips which the writer discusses in this article are: desk layout, office forms, lighting, mechanical counters and form letters. By Eugene J. Bengé. *System and Business Management*, February, 1935, p. 70:1.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

Blanket Short Week Panacea Won't Cure Our Labor Ills

The author is in favor of the establishment of a basic working week, but believes that a blanket basis, covering all industry, is not feasible. Some industries, which are in a strong competitive position, he states, could perhaps "get by" with a 20-hour week, where others, particularly those subjected to foreign competition, might require a week of 50 hours. This is the thesis developed in this article. By R. E. W. Harrison. *The Iron Age*, February 7, 1935, p. 20:4.

The Machine and Industrial Health

Dr. Flinn, an authority on industrial diseases, shows how the introduction of machinery has had in many instances a beneficial effect on workers' health. By Frederick B. Flinn. *The Personnel Journal*, February, 1935, p. 270:3.

An Italian Manufacturer's Program of Industrial Relations

The author, general manager, Fiat Societa-Anonima, one of the foremost Italian industrial concerns, which is engaged in the production of every kind of mechanical and metallurgical product related to internal combustion engines and their applications for land, sea and air transport, states that "Fiat is not only a pioneer of vast industries in Italy, but is also among the first to realize the necessity of close cooperation between management and employees." He describes some of the many items in Fiat's broad industrial relations

program, which was instituted by the company's president, Senator Agnelli, and which includes recreational societies, medical service and technical schools. By Vittorio Valletta. *Executives Service Bulletin*, February, 1935, p. 3:3.

The Place of the Doctor in Factory Inspection

After recalling the part played by doctors in labor inspection from its earliest beginnings, the author explains under what conditions and in what form they participate in it at the present time in various countries. He gives precise details of their collaboration with technical inspectors, and indicates the prerogatives which should be theirs in the exercise of their office, and the means which should be placed at their disposal for the purpose of their scientific work. He also describes the services which they are called upon to render in the struggle against sickness and accident, as well as in the drafting of various measures concerning industrial hygiene. A list of important works by various medical labor inspectors completes the article. By Dr. L. Teleky. *International Labour Review*, January, 1935, p. 28:36.

National Dangers of the 30-Hour Week

In discussing the Black-Connery Bill in a radio broadcast recently, Malcolm Muir, president, McGraw-Hill Publishing Co., Inc., said, "I think we shall have shorter hours of work as time goes on. I think we may reach the 30-hour week in time. But for Congress to pass a law that would

disrupt all business and change our working and living habits overnight is not the way to do it. We shall get there just as slowly, or just as swiftly, as machinery and manufacturing skill improve in one industry after another—and no more swiftly or no more slowly. Any attempt to do it by law will be a disaster of proportions so serious I hate to think about it.

"Faced with a law ordering an increase in labor costs of one-third immediately, most small businesses and all but a few of the biggest corporations would have to

shut down. They have no reserves left to meet such an enormous increase in cost. Reserves have long since been used up in the depression. True, business would make some kind of new beginning, some day. But the first, the immediate effect of a 30-hour bill would be a huge increase in unemployment. There are now millions of jobless. I should expect the Black-Connery bill to double their number, very quickly." By Malcolm Muir. *Newspaper Service Bureau, McGraw-Hill Publications*, February 1, 1935. 6 pages.

Plant: Location, Lighting, Heating, Ventilation

Manual of Fire-Loss Prevention of the Federal Fire Council

Presented herein are the essentials relating to design, materials of construction, and equipment and operation of buildings that effectively prevent or abate loss by fire.

An initial discussion is given of justifiable outlay for fire-loss prevention, considering the values and the degree of hazard present. Sections III to VI, inclusive, deal with the fire resistance of building materials, assemblies, and types, control of spread of fire by structural means, and design and arrangement of buildings to secure exit facilities for occupants in case of fire.

In sections VII and VIII, structural and equipment features having a bearing on safeguarding hazards incidental to heating, lighting, and power supply are dis-

cussed as also those pertaining to lighting protection, fire hazards during construction, and special occupancy hazards. In section IX protection of records is treated from the standpoint of construction and equipment and in section XIII from the standpoint of business routine and general fire prevention. Sections X and XI deal with equipment for detecting and extinguishing fire.

In section XII general methods for decreasing the ease of origin and initial spread of fire are outlined, and in sections XIV to XVI, inclusive, the effective use of equipment in case of fire by prior training for emergency, and the systematic inspection of property to enable unnecessary fire hazards to be promptly eliminated and defects in construction and equipment remedied. *U. S. Department of Commerce, National Bureau of Standards Handbook No. 19*, November 5, 1934. 156 pages.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Wage Policies and Employment

Most partisan statements regarding wages refer to wage rates—hourly, daily or weekly—without indicating how many hours, days or weeks the wage earner was employed during the course of a period of, say, one year. Furthermore, statements regarding "tendencies" employ various bases, with the result that misleading, if not in-

accurate, conclusions are drawn therefrom.

It would seem not only that incomes constitute the most significant figures, whether we are concerned with the economic welfare of the individual, wage costs to industry, or total purchasing power; but that, in addition, any tendencies should be measured, not with reference to some particular year as a base, but with refer-

ence to deviations from the annual average for the period, and with reference to as long a period as can be described by accurate and reliable figures.

In order to determine certain major wage and employment trends in recent years, figures have been compiled for all Class I Railroads, some 30 of the largest Industrials and Utilities operating in the United States, and for Public-School Teachers. Annual totals for the twelve-year period, 1921-1932 inclusive, were obtained for Total Wage Payments and Monthly Average Number of Employees, and from these figures were calculated the annual Average Per Capita Wages of those who were employed in each of the three categories mentioned above. Averages were then calculated, and the annual figures were plotted on charts to show the annual deviation in per cent of the twelve-year average. Some of the trends in employment and wages thus graphically shown for the period 1921-1932 are given and discussed.

The author concludes that if the more important problem of total national income and purchasing power, as well as of employment, is to be adequately dealt with, additional figures for industrials and public utilities will have to be secured; also figures for additional groups, such as government employees, wholesale and retail trade, and farming.

The adoption of a relatively more permanent policy of employment and wages is essential. Democracy implies equality of opportunity. Until business can effectively provide such an opportunity, it does ill to criticize the State for stepping into the breach and acknowledging a responsibility which is commensurate with its power. By Carl F. Taeusch. *Harvard Business Review*, January, 1935, p. 129:12.

Industrial Accidents to Employed Minors in California in 1932

A study of accidents to employed minors under 18 in California in 1932, based on 618 cases reported to the State industrial accident commission, shows that vehicles

constitute the most serious hazard to minors, particularly to children under 16. Four of the six fatalities reported during the year occurred in this younger group, all due to vehicles. Among the nonfatal accidents from all causes the most serious permanent disabilities occurred to minors between 16 and 18 years old. A sharp decline since 1927 in accidents caused by machinery is ascribed to the greater decline in manufacturing employment compared with other occupations in which minors are engaged. By Marian Faas Stone. *Monthly Labor Review*, November, 1934, p. 1078:17.

State Requirements for Industrial Lighting

A handbook for the protection of women workers, showing lighting standards and practices. By Marie Correll. *United States Department of Labor. Bulletin of the Women's Bureau*, No. 94. 1932. 65 pages.

Subsistence Homesteads for Industrial and Rural Workers at the End of 1934

Some 5,000 families are to be provided for in the subsistence homesteads projects being fostered by two agencies of the United States Government. These agencies are the Subsistence Homesteads Division of the Department of the Interior and the Federal Emergency Relief Administration. Up to the end of December 1934 the former had approved 62 projects; the work had reached the house-construction stage in 20 and in 8 the first group of houses had been completed. The Federal Emergency Relief Administration had approved the creation of three new rural industrial communities, in all of which some of the homesteaders have already taken possession of their new homes. All of these projects are being financed from Federal funds. The homes in the Subsistence Homesteads Division projects are to be purchased on long-term contracts by the homesteaders, while those of the F. E. R. A. will be rented to them. These homesteads will be

occupied by the families of workers who will combine home gardening with part-time industrial employment. *Monthly Labor Review*, January, 1935, p. 19:19.

Occupational Analysis of Registered Unemployed Applicants in Erie County

A survey, made as of June 1, 1934, by the Pennsylvania State Employment Service, attempts to show certain phases of

the rapid industrial changes that have been taking place, especially in connection with trends in skilled occupations. Like the similar study made in Lehigh County this survey gives a number of valuable tabulations including the interesting tables by age and education. There is a special section devoted to women registrants. *Pennsylvania State Employment Service*, June 1, 1934. 72 pages.

Benefit Systems and Incentives: Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

Profit Sharing

Profit sharing plans established for the purposes of promoting thrift, extra effort, or a more equitable adjustment of compensation, are the types which show the highest record of success, according to this analysis of profit sharing. Profit sharing plans which met with little success had the purposes of stimulating efficiency and improving morale.

Of the plans established to stimulate thrift, only two out of twenty-one have been discontinued. The savings feature of these plans provides for cooperative effort by the company and the employees. Profit sharing plans created to produce extra effort, are, in effect, bonus plans. They prove most successful when they are limited to executives and department heads—those who understand the possibilities of such plans and are in a position to contribute actively to the profit of the enter-

prise. In plans set up to achieve a more equitable basis of compensation, the compensation of employees consists of two parts: first, a fixed salary or wage; second, a variable, possible addition to it. The variable portion represents what, in the judgment of the management, is the balance of the equitable share of business income that should be paid as wages.

The survey shows that the principle of sharing profits with employees has held up remarkably well in 1934. The ratio of abandoned plans to those surviving is rather high but other causes than dissatisfaction with these plans have affected this ratio, such as lack of profits; government interference in business; increase in costs under code operation; increasingly heavy taxes; and unsettled labor conditions. By Harold F. Browne. *National Industrial Conference Board*, December, 1934. 29 pages.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study.

Routine Control of Labor Costs

"Prices" for productive operations are set in terms of standard minutes of work in the North & Judd Manufacturing Company. The value of a standard minute varies with the operation performed.

The efficiency of each worker is determined when pay is figured. Quarterly effi-

ciencies are posted to individual record cards. Departmental efficiencies are figured from weekly payroll cards. Summaries are presented to management of all productive and non-productive excess costs in the productive departments.

Supplementary reports on slippage (operations exceeding standard cost) classify

the items to show those which departmental supervision should have prevented, and those the general superintendent and his staff should correct.

The record card for each step accompanies the article which says that within three months production increased from 43 per cent of "normal" to 83 per cent with these new cost records. By W. C. Zinck. *Factory Management and Maintenance*, February, 1935, p. 70:2.

You Don't Have to Be Big

Large resources and a large organization are not necessary to modernize a business points out the author, associate editor of the magazine. He describes here the motion economy approach to successful plant operation in the picture framing plant of the J. Abrams Company. By H. P. Dutton. *Factory Management and Maintenance*, February, 1935, p. 56:2.

MARKETING MANAGEMENT

Industrial Prices and Their Relative Inflexibility

The NRA and the AAA are in part a product of the economic breakdown resulting from inflexible administered prices, and therefore the basic problem of both these bodies is to devise techniques of control for establishing the necessary elements of industrial policy, according to this report by the economic adviser on finance to the Secretary of Agriculture.

The difference between market prices and administered prices is clear, the report states. A market price is one which is made in the market as the result of the interaction of buyers and sellers. Around this type of price traditional economic theory has been built. An administered price is set by administrative action and held constant for a period of time, as for example, when a company maintains a posted price. Administered prices should not be confused with monopoly.

If the NRA and AAA are to develop a partnership technique wherein Government and industry are in some way combined to establish the necessary elements of industrial policy the location and division of power and responsibility in making decisions will importantly affect the likelihood that key decisions will be made "right." Four methods of distributing responsibility appear possible: 1. Decisions by a code authority or control committee of business men or farmers, with the Government acting as a rubber stamp, reserving veto for extreme cases; 2. The Government might

make the decisions and impose them on industry; 3. Code authorities and control committees might constitute a balanced partnership between Government and business; 4. The several interests might jointly be represented in making the key decisions with the Government exercising a veto power.

If the Government is to do the whole job, an effective enforcement machinery must be developed. If the Government is to represent the non-dominant economic groups, the problem becomes that of pitting the political power of these groups against the economic power of the business group. If the interests are to impinge on each other labor and consumer interests must be strengthened as pressure groups, presumably through the building up of their organizations.

The report concludes that any satisfactory technique for the making of industrial policy must be relevant both to the factual situation and to American traditions. The facts to be met are: 1. Laissez faire has failed, i.e., market mechanism has broken down; 2. The banking and money system has failed to meet the needs of modern technology and modern industrial organization; 3. Modern technology makes possible a high standard of living for all; 4. Modern technology requires great administrative organizations; 5. These industrial organizations must be coordinated and their operation in the public interest insured. By Gardiner C. Means. *United States Government Printing Office*, 1935. 38 pages.

Mark-Downs in Women's Coat and Suit Industry

A thorough knowledge of phenomena of the style or fashion cycle with all its ramifications is the outstanding requisite for the successful operation of a women's coat and suit business, the Department of Commerce has found in a study of the cause and control of mark-downs in that industry.

The study shows clearly the direct bearing which the problem of style obsolescence has on profits in the garment trade. Suggested methods for the control of mark-downs are offered in the report, though it is recognized that reductions cannot be entirely eliminated.

Eleven coat and suit manufacturers permitted a complete analysis of their operations for this study, which was made possible by the close cooperation of the Merchants Ladies Garment Association of New York City. A committee from the Association cooperated to secure representative garment manufacturers for this analysis.

"The women's coat and suit industry," Mr. Kedzierski points out, "faces a peculiar problem incident to the variations of prices within any period. Inadequate scientific knowledge of pricing merchandise, and of consumer requirements, as well as such extraneous factors as weather conditions and the like, are some of the hazards of style business which cause frequent price concessions, either to the retailer by the wholesaler and the manufacturer, or to the consumer by the retailer." By S. L. Kedzierski. *Domestic Commerce Series No. 91, United States Government Printing Office, 1934. 60 pages.*

New Markets and Marketing Opportunities

There are in development every minute new markets for old and new products. Chicago created a \$300,000,000 market with the World's Fair. "Brigsteel" is supplying an old market for bathtubs with a new product—a light, drawn-steel tub.

Radio has supplanted the phonograph in the music market. The TVA is forcing the gas companies to look for new outlets. Despite some of these adaptations industry as a whole is too slow in changing and too slow in grasping its opportunities.

The plan for increasing business volume which the author advances is a sales control and selective marketing system. It urges the following: 1. Improve the product, the package and the company's service; 2. Determine the sales possibilities for the product in key markets, if not in all markets; 3. Establish a reasonable sales quota for each key market and check the sales performance quarterly, if not monthly; 4. Decide whether present distribution is adequate or justified. This may mean too much or too little distribution; 5. Concentrate the time of salesmen in these key areas by routing them. Make full use of their time, expense and selling ability; 6. Establish a geographical sales control system by dividing the national market into a reasonable number of consumer trading area units; 7. In the selected key areas concentrate selling efforts on the trade outlets which do the greatest volume. This means finding the dealers whose customers have the most money to spend; 8. Put advertising pressure in the right market places after this sales control has been established. By L. J. McCarthy. *The American Marketing Journal*, January, 1935, p. 43:7.

A New Deal for the Dealer

Here is a check list, compiled by the Dartnell staff, which enables companies selling through dealers to round out their dealer stimulation program for 1935.

The average dealer is just as much a salesman as the man who represents the company. Companies which have been forced to suspend dealer educational activities during the depression have this year allocated a liberal portion of their sales promotional appropriation for that very purpose. They realize that there should be laboratory stores where new sales ideas can be tested and perfected;

there should be a training course for clerks, giving them the salient selling points; there should be a monthly inspirational magazine for dealers and there must be

personal cooperation by some competent executive, based on a personal study of each dealer's problems. *American Business*, February, 1935, p. 18:3.

Salesmen: Selection, Training, Compensation

Dramatizing Salesmen's Standings

Since a salesman's pride is a very strong stimulant to achievement—stronger even than his pocketbook—and conditions have improved to such an extent that it is possible to publish sales results which will foster the competitive spirit, The Dartnell Corporation has made this survey on the means of dramatizing salesmen's standings in their organizations.

Objections to publishing sales results because of deceptive factors can be circumvented. For example, one salesman may be making a greater number of sales than another, who is really doing a superior job, because of a better-developed territory or sales made on staple articles which practically sell themselves and bring in little profit. Various scaling devices can be used which will take these factors into account and give a true version of what each salesman is doing. Interest and value can result from these corrected charts which previously produced indifference and resentfulness.

Many different kinds of information can be presented to the salesman in a dramatized form: his sales in comparison with those of the other salesmen, his present sales compared with his past records, how his branch stands in relation to the other branches, and what the company as a whole is accomplishing. A competitive spirit is kept alive and the names and records of the salesmen kept before the eyes of the rest of the organization "from the president to the bright-eyed blonde stenographer."

There are illustrations in the report of some dramatic means through which companies have given out "standing" information, and descriptions of many more. Whether they take the form of "climbing up the golden stairs," "The Big Acacia Hunt," the designation of salesmen as

"orchids" or "onions," the object is the same—the presentation of stimulating information to the salesman in a dramatic way. *Dartnell Report No. 434, The Dartnell Corporation*. 21 pages.

After the Sales Convention—How to Keep the Salesmen's Interest Alive

Several methods of retaining the salesmen's interest after the sales convention is over are described in this article. One sales manager interviews each salesman before the convention and asks for suggestions. His secretary makes a stenographic record of the interview and several months later if a salesman does not seem to be succeeding very well the sales manager writes him a letter on the basis of the stenographic record and invites him to try one or more of his own suggestions. This lifts the self-esteem of the recipient and brings back his own suggestions (which may turn out to be valuable ones) with new force.

Another method is to outline the company's advertising campaign at the convention and then afterwards send each salesman a proof of each new advertisement as it is released. He, in turn, may show these to his customers and his interest may be fed for a long period after the convention is over. *Marketing*, February 23, 1935, p. 2:1.

How a New York Sales Manager Fixes Sales Quotas

With twelve salesmen, the sales manager, McKesson-New York Division, McKesson & Robbins, covers the most densely populated section of the United States and the most competitive drug store market in the world. That such a territory can be covered by so few salesmen is due to the proximity of the dealers to be called upon

and the thorough manner in which the selling job has been systematized.

"The important thing, as I see it, in this wholesaling business," says Mr. Bander, "is to stick to standard lines, to nationally advertised lines as far as possible, for their names mean something, they are easier to sell, as advertising has created the demand. Fewer lines make better salesmen. The mistake that so many people make is to be misled by a novelty or price claim, when the important thing to remember and decide is what will happen to the goods after they get in your stockroom or on your shelves." An interview with Jos. Bander. *The Red Barrel*, February 15, 1935, p. 23:3.

How To Control Mileage Costs on Salesmen's Cars

In considering the items entering into the expense of operating a car it is evident that no flat rate per mile will equitably cover, under all conditions, even one car, much less a group of various makes and kinds. However, in setting up proper allowances for these various factors, each company must adopt definite policies, covering the following points, which will apply to the cars of all salesmen: 1. The price range within which all salesmen's cars must fall; 2. The kind and amount of insurance to be carried on all cars; 3. The quality and grade of gasoline, oil, tires and

tubes to be figured in operating expense; 4. A good maintenance schedule. By J. D. Towne. *System and Business Management*, February, 1935, p. 76:4.

Developing a Successful Plan for Compensating Salesmen

Diebold's experience, writes the director of marketing, Diebold Safe & Lock Company, shows that these are the important requirements of any salesman's compensation plan: It should be fair to both parties; provide worth-while remuneration for the producer; make the salesman realize that he is in effect a partner in the business; insure a check-up for the removing of dead wood; offer added incentive for quota performance; and reward the sales executives. By A. W. Neally. *Executives Service Bulletin*, February, 1935, p. 5:2.

Back off and Look at Your Job

The vice-president, The Crowell Publishing Company, advises the salesman to detach himself from the rest of the world and his own job and look at what he is doing objectively, to "get a line on himself in relation to the company he is working for, the dealer or jobber whom he is trying to sell and those who finally consume his product." The proper perspective, says the author, is good medicine for anyone. By Frank Braucher. *The Red Barrel*, February 15, 1935, p. 8:3.

Retailing

Chains and Independents and Other Types of Operation

Analysis of the retail census for 1933 according to types of operation. *Bureau of the Census, U. S. Department of Commerce*. 102 pages.

The Voluntary and Cooperative Chain Presents a New Marketing Force

There is a strong tendency among independent retailers to form cooperatives to compete with the corporate chains. For-

merly their cooperation was mainly for buying. Now it is being extended to selling. Although the cooperatives have twice as many outlets as the corporate chains they account for only 30 per cent of the grocery outlets of the country. Since numerical expansion now nears the leveling-off point, expansion of dollar volume is due for increased attention. The difficulty here comes from the immaturity and lack of a feeling of responsibility in these cooperatives.

Added to the "headaches" of the sales manager has been the development of the super-buying group, the cooperative of co-operatives, which strives for a maximum volume and discount. The manufacturer of advertised brands sometimes finds these demands for discount excessive. The author states that the phase of development now

being extended by voluntary groups presents a new marketing force with broad opportunity for manufacturers and producers planning intelligently in this direction to expand their distribution and their volume profitably. By Donald W. White. *The American Marketing Journal*, January, 1935, p. 67:4.

Survey of Books for Executives

The Art of Leadership. By Ordway Tead. Whittlesey House, McGraw-Hill Book Company, New York, 1935. 308 pages. \$2.50.

"The Art of Leadership" was written "to help those who direct others, or who will presently occupy positions of influence over others." The book places well-directed emphasis upon reasons why it is better to lead than to boss.

The author's definition of *leadership* is excellent. He says, "Leadership is the activity of influencing people to cooperate toward some goal which they come to find desirable." This definition is the premise upon which the book is written.

The capable leader makes his followers "partners and sharers in the determination of what the group is trying to do." He creates a true sense of participation in them.

The ten outstanding qualities necessary in leaders are: 1. Physical and nervous energy; 2. A sense of purpose and direction; 3. Enthusiasm; 4. Friendliness and affection; 5. Integrity; 6. Technical mastery; 7. Decisiveness; 8. Intelligence; 9. Teaching skill, and 10. Faith.

The author reminds us that *imagination* and a *sense of humor* are special evidences of intelligence, a point well worth remembering. He emphasizes the importance of giving assurance that good performance is being appreciated by the leader.

The book contains an especially fine exposition of the technique of leading conferences and gaining group understanding and cooperation by establishing a community of

interests through an exchange of ideas and opinions.

A picture of Mr. Tead's approach to the subject of his book can be obtained from the chapter headings which are as follows: The Demand for Leaders; What Is Leadership? How Do People Become Leaders? How Do Leaders Influence Others? The Leader's Objectives; The Qualities Necessary in Leaders; The Leader as Executive; The Leader as Teacher; Methods and Manners of Leading; The Leader as Conference Chairman; Problems of the Assistant Leader; The Hazards of Leadership; Problems of Women Leaders; The Leader's Deeper Resources; The Leader in a Democracy; How to Train Leaders.

The book is based on sound psychology, but couched in the practical language of the average person. The author intersperses his presentation of principles with numerous apt cases and illustrative situations. The executive will find "The Art of Leadership" a valuable handbook to help him in developing his own leadership qualities. At the same time it will serve him well in the development of leadership ability in his subordinate supervisors.

GLENN GARDINER,
Forstmann Woolen Co.

Institutional Economics. By John R. Commons. Macmillan, New York, 1934. 921 pages. \$4.00.

This book is modeled upon textbooks in the Natural Sciences. Each idea is traced back to its originator, and then the succes-

sive modifications of that idea are developed and the earlier double or treble meanings of the idea are separated, until each, as a single meaning, is combined with the others in what the author conceives to be the Science of Political Economy as it is developing since the last Great War. The originators of new ideas and theories have appeared before and after revolutionary wars, during what the author calls the War Cycle. Since he bases his analysis on the Anglo-American common law, he begins with the English Revolution of 1689; then follows the World War of the French Revolution, 1789; then the American Revolution of 1861, an outcome of the suppressed European revolution of 1848; then the war of a dozen revolutions beginning 1914.

Cyclical Fluctuations in Commodity Stocks. By Ralph H. Blodgett. University of Pennsylvania Press, Philadelphia, 1935. 177 pages. \$2.50.

This study of cyclical fluctuations is primarily concerned with stocks of finished commodities and stocks of raw and partly processed material in the hands of the producers of finished articles. It is to some extent a pioneer study intended to show how these stocks behave in the various phases of the business cycle and the relative importance of the different types of commodities in the cyclical fluctuations of business. The detailed study of the various types of commodity stocks is preceded by chapters on the theoretical aspects of the study and on the statistical methods of cyclical analysis; and the final chapter gives a summary of the conclusions reached.

The American Way. Democracy at Work in the Des Moines Forums. By J. W. Studebaker. McGraw-Hill Book Company, New York, 1935. 206 pages. \$2.00.

It is almost exactly two years since the city-wide experiment in adult education known as the Des Moines Public Forums was commenced under the administrative supervision of the author of this book. The writer, United States Commissioner of Education, here tells the story of the Des

Moines experiment in public forums that was made possible through the support of the Carnegie Corporation and the American Association of Adult Education. Fresh from his experience in Des Moines, Dr. Studebaker urges that the Federal Government should support a nation-wide program of public forums because enlightened citizenship has become so essential to national security and progress.

Dr. Studebaker urges that we "make it the 'fashion' in the United States to be informed about governmental and social problems. It is possible and practicable to produce such a widespread knowledge of public affairs through public forums that those who continue to accept the privileges of citizenship, while failing to fulfill its chief obligation of being informed about our common problems, will increasingly feel chagrined and out of caste. There can be such a public opinion with respect to this aspect of the responsibility of citizenship that it will become the fashion to 'keep up with the Joneses' in knowing what one is talking about when he discusses public affairs."

Insurance and Annuities from the Buyer's Point of View. By E. C. Harwood and Bion H. Francis. American Institute for Economic Research, Cambridge, 1935. 172 pages. \$2.50.

The art of selling has developed to such an extent that even the man who pays for life insurance or annuities sometimes forgets that there is a buyer's point of view. The work of the authors in analyzing hundreds of individual problems has convinced them that most men are "sold" their life insurance. Few men really know whether or not the policies in which they are investing such a large portion of their annual savings are the best and cheapest contracts available which meet their especial needs.

No one would invest \$10,000 without thoroughly investigating the project. Equal care should be used in buying life insurance, because, for the man who lives a normal lifetime, a \$10,000 policy means that much invested.

The purpose of this volume is to make

adequate information available to the buyer of life insurance and annuities. The subject is discussed in non-technical language, and the cost comparisons made should prove highly valuable to anyone who has, or contemplates the purchase of, either life insurance or annuities.

Full Speed to Success. By Robert T. Gebler. J. B. Lippincott Company, Philadelphia, 1934. 302 pages. \$2.00.

"Success is not a complicated thing," says the author of this book. "It is simple enough in structure, and clear enough in its approaches once one has been brought face to face with the things that make up that structure and mark the approaches."

Some men seem to get ahead faster than others; with little apparent effort they seem to dress better, drive more expensive automobiles, talk with more assurance and appear more generally successful than their fellows. These men have hit upon the habit of appearing and being successful. This book is for those men who have not yet gotten the success habit. By reading it they will learn how to be successful: by grooming and conditioning the mind and body, by making money and saving it and by making the money saved work to make more money.

Within the first part of the book Mr. Gebler sets down his "Eight Rules of Success" and discusses the principles of success from many angles. The second part of the book covers the physical, financial, cultural and other phases of the success program.

Business and Government. By Charles C. Rohlfs, Edward W. Carter, Bradford W. West, and John G. Hervey. The Foundation Press, Chicago, 1934. 729 pages. \$4.00.

The everchanging relationship between the government and its citizens may be considered from three points of view, economic, social, and political. This volume deals mainly with the more important economic relations and readjustments. The task of selecting significant subjects for treatment

from the many alternatives was lightened by the reactions of students of the Extension School of the University of Pennsylvania to a variety of experimental materials presented over a period of a decade. The definite objective has been to arrange a volume which would not only interest the reader but would also provide him with the requisite background for comprehension of the scope and effect of governmental policies upon business enterprises.

Three chapters have been devoted to anti-trust legislation. The authors believe that the principle of open competition will continue to be an important policy in governmental regulative activities and that such a presentation is necessary in order to grasp the significance of much recent legislation. A somewhat legalistic treatment of the subjects of bankruptcy and workmen's compensation has been adopted because of the student's preference for the legal rather than the economic or sociological approach to these subjects.

Administration of Placement and Unemployment Insurance in Germany. By Oscar Weigert. Industrial Relations Counselors, New York, 1934. 241 pages. \$2.50.

This volume is the second in a series of studies on the administrative aspect of public employment services and unemployment insurance in several countries and is significant because of the imminence of social insurance legislation in the United States and the lack of practical experience in its administration.*

The author of the present volume was an outstanding official of the German Ministry of Labor from 1918 to 1933, and, in that capacity, prepared the German legislation dealing with unemployment insurance and public employment offices. The volume, after analyzing German labor market conditions, gives a comprehensive account of the administrative procedures of the unemploy-

*The first volume in the series is "The Employment Exchange Service of Great Britain" by T. S. Chegwidden and G. Myrddin-Evans. 310 pages. \$3.50. Reading notice in *The Management Review*, September, 1934.

ment insurance system and describes in detail the organization of the public employment service and the changes which occurred in it up to 1934.

The Saar Struggle. By Michael T. Florinsky. Macmillan, New York, 1934. 191 pages. \$2.00.

The author states that he has followed rather closely developments in the Saar since 1920 and that during the summer of 1934 which he spent in the Saar Basin he had "ample opportunities to discuss the local problems in all their ramifications with the members of the Governing Commission, with the Administration of the *Mines Domaniales Françaises de la Sarre*, with the Presidents of the French and the German Chambers of Commerce, with industrialists, leaders of the labor organizations, leaders of the political parties from the *Deutsche Front* to the Communists, members of the Catholic clergy, local residents and the working people themselves." He "listened to the debates of the Advisory Council and visited mines, factories, steel works, political gatherings and mining villages."

Phases of the Saar struggle treated by Dr. Florinsky are the birth of the Saar State, general economic conditions, labor and social relations, the political situation on the eve of the plebiscite, and the outlook.

The British Way to Recovery. By Herbert Heaton. University of Minnesota Press, Minneapolis, 1934. 184 pages. \$2.00.

Britain's old deal—or the conditions existing in Britain as a result of the World War—and the measures that England had already taken before the depression to solve problems with which the United States is now grappling are the subject of the first part of the book. Steps taken since the depression which have started England on the road to recovery are discussed under four headings: national finance, currency and credit policy, trade policy, and miscellaneous aids and reforms. There are also chapters on Australia and "Canada Muddles Through."

Current Economic Policies. Edited by Joseph B. Hubbard. Henry Holt, New York, 1934. 700 pages. \$3.50.

The discussions in this book, selected from a wide variety of sources, are intended to help the average man to a better understanding of economic policies. The discussions are intended also for the use of students in classes in economics and current economic problems. The bulk of the book is a reproduction of valuable material already published, but the editors have written introductory paragraphs for each chapter with a view to giving a setting which will make the reproduced material more easily understood and at the end of each chapter is included a bibliography for further reference. The discussions are grouped as follows: The program in general; money; banking; agriculture; mortgage relief; labor aspects of the NRA; other aspects of the NRA; railroads; public finance; international economic problems; securities regulation; economic planning.

The Investment Policy of Trust Institutions. By N. Gilbert Riddle. Business Publications Company, Chicago, 1934. 310 pages. \$4.00.

This book sets forth in a composite study the investment policies and experiences of trust institutions. It first presents the financial importance of the personal trust business; second, it describes the machinery of trust investing; third, it sets forth some of the legal and economic problems of trust investing; and, finally, it presents a detailed picture of the investment policies, practices and accomplishments of trust institutions for the period 1919-1932.

Social Organization and Disorganization. By Stuart A. Queen, Walter B. Bodenhafer and Ernest B. Harper. Thomas Y. Crowell Company, New York, 1935. 653 pages. \$3.50.

Part I of this book defines the relation of Sociology to social problems. Part II deals with the growth and decay of social groups including family, neighborhood,

community, and special interest groups. Part III considers the rise and decline of economic, political, international and other institutions with special emphasis on culture lags and conflict. Part IV takes up the significance of social change for the development and disorganization of personality. The book concludes with a chapter on social reconstruction.

Financial Organization and Administration. By W. MacKenzie Stevens. American Book Company, New York, 1934. 670 pages. \$4.00.

This text is intended to show the student of business administration how to raise capital, how to adjust the financial structure to requirements of investors, business conditions, and current development of an enterprise, and how to administer the financial affairs of a going business effectively. The viewpoint throughout is that of management. The probable needs of college students in achieving business success have determined the types of approach and subject matter discussed. Special emphasis has been placed on moderate or small-sized business.

Each chapter is summarized and followed by a group of questions and a group of problems.

Money: The Human Conflict. By Elgin Groseclose. University of Oklahoma Press, Norman, 1934. 304 pages. \$3.25.

A critique of modern money and banking developed by the simple process of telling the story of man's experience with money. The author has attempted to focus the light of monetary history upon the current problem, and the logic is developed by showing how the money problems of Solon and Caesar became no less the problems of Louis XIV and Roosevelt. His book presents, therefore, the recurrent struggle of men and governments to control money in its varied forms—gold, silver, copper, the check and paper. It gives us a comprehensive account of money as a social institution.

As his narrative carries him into the

present era, Mr. Groseclose develops the thesis that until man has learned to control money in its simplest form it is foolhardy to attempt to base the complex economy of the modern world upon various contrivances of credit, bank money, or "managed currency." He traces the growth of debt and its use as a foundation for monetary inflation in the last half-century, and surveys the process by which banks have abandoned their original warehousing function and assumed commanding control of both money and credit.

The Elements of Marketing. By Paul D. Converse. Prentice-Hall, New York, 1935 (revised edition). 985 pages. \$5.00.

This revision of *The Elements of Marketing* has been prepared to include a large amount of fundamental information made available since the publication of the first edition. Recent information of particular importance is contained in the first nationwide censuses of marketing—the Census of Distribution, taken in 1930, and the Census of American Business taken in 1934; in reports of the Federal Trade Commission, especially those on Chain Stores and Resale Price Maintenance; in studies by various university bureaus of business research and by individual university professors; and in studies by the United States Department of Commerce, especially its distribution cost studies.

The present edition also includes discussions of the operations of the National Recovery Administration and the Agricultural Adjustment Administration. There are an additional 90 pages of marketing problems.

Basic Economics in a Democratic Society Using a Machine Technology.

By James Gilbert Evans, Jr. University of North Carolina Press, Chapel Hill, 1934. 139 pages. \$1.50.

It is a fundamental postulate of this book that civilization consists in man's adjusting his institutions so as to obtain from his cultural and natural environment a more satisfactory existence. The function of economics is to enable man to understand

the possibilities of his environments, cultural, physical and technological, and to aid in filling the economic needs of man insofar as they lie within the limits of what is possible and desirable. Because the question of what is desirable is essentially a cultural one, and because the cultural environment is constantly changing, economics can never become a science in the same way that physics and chemistry are sciences. This volume attempts to present economics as the science of what is possible in the realm of production and distribution in a democratic society using a machine technology.

Problems in Industrial Purchasing. By Howard T. Lewis. McGraw-Hill Book Company, New York, 1935. 498 pages. \$5.00.

The subject matter covered in this book is definitely restricted to the field of industrial purchasing. It does not include the important areas of governmental purchasing, consumer purchasing, or purchasing for purposes of resale.

The arrangement of the material in the present volume follows substantially the arrangement of the material contained in the author's earlier volume.* The problem presented in Section I is of an introductory character. Section II undertakes to develop a concept both of the nature of the purchasing function and of the principles affecting the status of purchasing within a company organization, as well as the organization for the performance of the function. The importance of sound procedure is emphasized in Section III. To one who understands the fundamentals of purchasing, it is apparent that the major problems center around the procurement of the proper quality of material, supplies, equipment, etc., in proper quantities, and at a fair price. Section IV, therefore, pertains to the issues relative to any consideration of quality; this section includes a discussion of the responsibility for its determination, the necessity for adequate description, and

the assurance that the quality desired is actually secured. Section V relates to the problem of quantity, involving various types of materials control and the coordination of sales and production with the maintenance of adequate quantities of material. Section VI deals with the sources from which the purchases are made, involving the selection of suppliers as affected by dependability, service, or location, and the maintenance of fair relations and good-will. Section VII turns to problems of price. Closely related to questions of price and quantity is that of so-called speculative purchasing, which is discussed in Section VIII. The last section presents the problems involved in attempting to determine the costs of purchasing, not so much with a view to measuring the efficiency of the performance as for the purpose of securing adequate data by which to exercise a proper control of the purchasing function.

Industrial Standardization: Its Principles and Application. By John Gaillard. H. W. Wilson Company, New York, 1934. 123 pages. \$2.00.

The chapters of this book are: Evolution of Standardization; Essential Functions of Industrial Standardization; Definitions and Characteristics of a Standard; Nominal Values and Limits; Development of the Practical Application of Standardization; Standardization in a Manufacturing Concern; Organization of Standardization Work.

Companies which have standardization work or are considering it as a possibility will be especially interested in this book. Chapter VI gives an example of the functioning of a standards department as well as an outline of the basic principles to be observed in establishing such a department and organizing its work.

The author is especially well fitted by his own background and his work as a member of the staff of the American Standards Association to discuss this subject. He has succeeded to an unusual degree in covering essential technical points and yet making the subject clear and interesting to the lay reader. L. P.

*"Industrial Purchasing." Prentice-Hall, New York, 1933. 536 pages. \$5.00. Reading notice in *The Management Review*, January, 1934.